



Companies Act 2006

2006 CHAPTER 46

PART 16

AUDIT

CHAPTER 2

APPOINTMENT OF AUDITORS

Private companies

[^{F1}485A Appointment of auditors of private company: additional requirements for public interest entities with audit committees

- (1) This section applies to the appointment under section 485(4) of an auditor or auditors of a private company—
 - (a) which is also a public interest entity; and
 - (b) which has an audit committee.
- (2) But it does not apply to the appointment of an Auditor General as auditor or one of the auditors of the company.
- (3) Before an appointment to which this section applies is made—
 - (a) the audit committee of the company must make a recommendation to the directors in connection with the appointment, and
 - (b) the directors must propose an auditor or auditors for appointment ^{F2}...
- (4) Before the audit committee makes a recommendation or the directors make a proposal under subsection (3), the committee ^{F3}... must carry out a selection procedure in accordance with Article 16(3) of the Audit Regulation, unless the company is a small or medium sized enterprise within the meaning in Article 2(1)(f) of [Directive 2003/71/EC](#).

Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Section 485A. (See end of Document for details)

- (5) The audit committee must in its recommendation—
- (a) identify its first and second choice candidates for appointment, [^{F4}drawn from those auditors who have participated in a selection procedure under subsection (4),]
 - (b) give reasons for the choices so identified,
 - (c) state that—
 - (i) the recommendation is free from influence by a third party, and
 - (ii) no contractual term of the kind mentioned in Article 16(6) of the Audit Regulation has been imposed on the company.
- [^{F5}(6) The directors must include in their proposal—
- (a) the recommendation made by the audit committee in connection with the appointment, and
 - (b) if the proposal of the directors departs from the preference of the audit committee—
 - (i) a recommendation for a candidate or candidates for appointment drawn from those auditors who have participated in a selection procedure under subsection (4), and
 - (ii) the reasons for not following the audit committee’s recommendation.
- (7) Where the audit committee recommends re-appointment of the company’s existing auditor or auditors, and the directors are in agreement, subsections (4) and (5)(a) and (b) do not apply.]]

Textual Amendments

- F1** Ss. 485A, 485B inserted (17.6.2016) by [The Statutory Auditors and Third Country Auditors Regulations 2016 \(S.I. 2016/649\)](#), reg. 1(1)(a), **Sch. 3 para. 4** (with reg. 1(12))
- F2** Words in s. 485A(3)(b) omitted (with effect in accordance with reg. 1(6)(8) of the amending S.I.) by virtue of [The Statutory Auditors and Third Country Auditors Regulations 2017 \(S.I. 2017/516\)](#), regs. 1(2), **12(2)(a)**
- F3** Words in s. 485A(4) omitted (with effect in accordance with reg. 1(6)(8) of the amending S.I.) by virtue of [The Statutory Auditors and Third Country Auditors Regulations 2017 \(S.I. 2017/516\)](#), regs. 1(2), **12(2)(b)**
- F4** Words in s. 485A(5)(a) inserted (with effect in accordance with reg. 1(6)(8) of the amending S.I.) by [The Statutory Auditors and Third Country Auditors Regulations 2017 \(S.I. 2017/516\)](#), regs. 1(2), **12(2)(c)**
- F5** S. 485A(6)(7) substituted for s. 485A(6)-(8) (with effect in accordance with reg. 1(6)(8) of the amending S.I.) by [The Statutory Auditors and Third Country Auditors Regulations 2017 \(S.I. 2017/516\)](#), regs. 1(2), **12(2)(d)**

Modifications etc. (not altering text)

- C1** S. 485A applied (with modifications) by S.I. 2008/565, reg. 6(1)(1A) (as substituted (with effect in accordance with reg. 2(4) of the amending S.I.) by [The Statutory Auditors Regulations 2017 \(S.I. 2017/1164\)](#), reg. 1(2)(3), **Sch. 2 para. 6(a)** (with reg. 2(6)(7)))

Changes to legislation:

There are currently no known outstanding effects for the Companies Act 2006, Section 485A.